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CHESTER TOWNSHIP
Ottawa County, Michigan

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Comprehensive Annual Financial Report

AUG 23 2004

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For the year ended March 31, 2004

19604 AUDIT & FINANCE DI

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Chester Township	County Ottawa
Audit Date 6/29/04	Opinion Date 6/29/04	Date Accountant Report Submitted to State: 8/1/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Accounting System for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hungerford, Aldrin, Nichols & Carter, P.C.			
Street Address 2910 Lucerne Drive SE		City Grand Rapids	State MI
Accountant Signature <i>Hungerford, Aldrin, Nichols & Carter, P.C.</i>		ZIP 49546	Date Aug. 19, 2004

CHESTER TOWNSHIP

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, PC
CPAs AND CONSULTANTS

Shareholders

Clifford A. Aldrin, CPA
Jerry W. Nichols, CPA
Daniel L. Carter, CPA
Richard L. Chrisman, CPA
Peggy A. Murphy, CPA
Phillip W. Sauman, CPA
Mitchell C. Burgers, CPA
Carla A. Grant, CPA
Thomas C. Prince, CPA

INDEPENDENT AUDITOR'S REPORT

June 29, 2004

The Township Board
Chester Township
Ottawa County, Michigan

We have audited the accompanying general purpose financial statements of Chester Township as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the elected officials and management of Chester Township. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of general fixed assets and, accordingly, a statement of general fixed assets that, in our opinion, is required by accounting principles generally accepted in the United States of America is not included in the general purpose financial statements.

In our opinion, except for the effect on the general purpose financial statements of the omission of general fixed assets, as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Chester Township as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplemental information and other information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Chester Township. The information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants



Member
Accountants Global
Network International

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GENERAL PURPOSE FINANCIAL STATEMENTS

CHESTER TOWNSHIP
Combined Balance Sheet - All Fund Types
March 31, 2004

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Capital Projects	Enterprise
Assets				
Deposits (Note C)	\$ 174,463	\$ 769,278	\$ -	\$ 31,411
Receivables:				
Taxes (Note D)	5,428	16,319	-	-
Accounts (Note G)	-	-	-	8,840
Due from property tax roll (Note G)	-	-	-	1,741
Special assessments	-	-	-	270,048
Accrued interest	-	-	-	9,900
Due from other funds (Note E)	6,918	-	-	-
Due from other governmental units	23,964	-	-	-
Prepaid expenditures	-	-	-	-
Restricted deposits (Note C)	-	-	-	184,750
Fixed assets, net of accumulated depreciation (Note H)	-	-	-	1,232,768
Total Assets	\$ 210,773	\$ 785,597	\$ -	\$ 1,739,458
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 3,768	\$ -	\$ -	\$ -
Due to other funds (Note E)	-	1,646	-	1,587
Due to other governmental units (Note I)	-	-	-	3,087
Payroll withholdings payable	1,894	-	-	-
Accrued interest payable	-	-	-	11,400
Escrow deposits	-	-	-	-
Bonds payable (Note J)	-	-	-	675,000
Total Liabilities	5,662	1,646	-	691,074
Fund Equity				
Contributed capital	-	-	-	1,026,168
Retained earnings:				
Unreserved:	-	-	-	22,216
Fund balances:				
Reserved for capital outlay	-	-	-	-
Unreserved:				
Undesignated	205,111	783,951	-	-
Total retained earnings/fund balances	205,111	783,951	-	22,216
Total Fund Equity	205,111	783,951	-	1,048,384
Total Liabilities and Fund Equity	\$ 210,773	\$ 785,597	\$ -	\$ 1,739,458

The notes to financial statements are an integral part of this statement.

Fiduciary Fund Type	Totals (Memorandum Only)	
	2004	2003
Agency		
\$ 13,504	\$ 988,656	\$ 916,290
-	21,747	31,325
-	8,840	10,474
-	1,741	1,842
-	270,048	290,158
-	9,900	2,830
-	6,918	399,221
-	23,964	86,914
-	-	16,852
-	184,750	183,395
-	1,232,768	1,259,692
<u>\$ 13,504</u>	<u>\$ 2,749,332</u>	<u>\$ 3,198,993</u>
\$ -	\$ 3,768	\$ 10,464
3,685	6,918	399,221
2,839	5,926	8,064
-	1,894	2,881
-	11,400	11,650
6,980	6,980	4,972
-	675,000	682,000
<u>13,504</u>	<u>711,886</u>	<u>1,119,252</u>
-	1,026,168	1,053,092
-	22,216	21,342
-	-	1,496
-	989,062	1,003,811
-	1,011,278	1,026,649
-	2,037,446	2,079,741
<u>\$ 13,504</u>	<u>\$ 2,749,332</u>	<u>\$ 3,198,993</u>

CHESTER TOWNSHIP
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Fund Types
For the year ended March 31, 2004

	General	Special Revenue	Capital Projects
Revenues			
Taxes	\$ 81,438	\$ 248,371	\$ -
Licenses and permits	24,881	-	-
State sources	197,532	855	-
Charges for services	5,892	-	-
Interest and rentals	7,857	4,372	-
Other revenue	5,091	105,890	-
Total Revenues	<u>322,691</u>	<u>359,488</u>	<u>-</u>
Expenditures			
Current:			
Legislative	4,439	-	-
General government	163,505	-	-
Public safety	38,465	172,448	-
Public works	17,781	241,781	-
Recreational and cultural	-	13,597	-
Other township	28,604	-	-
Capital outlay	17,002	-	802
Total Expenditures	<u>269,796</u>	<u>427,826</u>	<u>802</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>52,895</u>	<u>(68,338)</u>	<u>(802)</u>
Other Financing Sources (Uses)			
Operating transfers in	-	50,694	-
Operating transfers out	(50,000)	-	(694)
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>50,694</u>	<u>(694)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	2,895	(17,644)	(1,496)
Fund Balances, April 1	<u>202,216</u>	<u>801,595</u>	<u>1,496</u>
Fund Balances, March 31	<u><u>\$ 205,111</u></u>	<u><u>\$ 783,951</u></u>	<u><u>\$ -</u></u>

The notes to financial statements are an integral part of this statement.

Totals
(Memorandum Only)

2004	2003
\$ 329,809	\$ 423,047
24,881	19,079
198,387	309,776
5,892	3,982
12,229	13,997
110,981	17,051
<hr/>	<hr/>
682,179	786,932
<hr/>	<hr/>
4,439	4,447
163,505	146,330
210,913	260,487
259,562	27,038
13,597	15,023
28,604	28,071
17,804	20,352
<hr/>	<hr/>
698,424	501,748
<hr/>	<hr/>
(16,245)	285,184
<hr/>	<hr/>
50,694	35,500
(50,694)	(35,500)
<hr/>	<hr/>
-	-
<hr/>	<hr/>
(16,245)	285,184
<hr/>	<hr/>
1,005,307	720,123
<hr/>	<hr/>
\$ 989,062	\$ 1,005,307
<hr/>	<hr/>

CHESTER TOWNSHIP
Combined Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - General and Special Revenue Fund Types
For the year ended March 31, 2004

	General Fund		Variance- Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 79,011	\$ 81,438	2,427
Licenses and permits	25,000	24,881	(119)
State sources	190,000	197,532	7,532
Charges for services	4,600	5,892	1,292
Interest and rentals	3,500	7,857	4,357
Other revenue	10,800	5,091	(5,709)
Total Revenues	312,911	322,691	9,780
Expenditures			
Current:			
Legislative	4,898	4,439	459
General government	175,976	163,505	12,471
Public safety	48,500	38,465	10,035
Public works	20,353	17,781	2,572
Recreation and cultural	-	-	-
Other township	33,200	28,604	4,596
Capital outlay	6,000	17,002	(11,002)
Total Expenditures	288,927	269,796	19,131
Excess (Deficiency) of Revenues Over Expenditures	23,984	52,895	28,911
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Operating transfers out	(50,000)	(50,000)	
Total Other Financing Sources (Uses)	(50,000)	(50,000)	
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(26,016)	2,895	28,911
Fund Balances, April 1	202,216	202,216	-
Fund Balances, March 31	\$ 176,200	\$ 205,111	\$ 28,911

The notes to financial statements are an integral part of this statement.

Special Revenue Funds		
Budget	Actual	Variance- Favorable (Unfavorable)
\$ 228,000	\$ 248,371	\$ 20,371
-	-	-
854	855	1
-	-	-
4,300	4,372	72
50	105,890	105,840
233,204	359,488	126,284
-	-	-
-	-	-
91,995	172,448	(80,453)
408,200	241,781	166,419
14,625	13,597	1,028
-	-	-
-	-	-
514,820	427,826	86,994
(281,616)	(68,338)	213,278
50,000	50,694	694
-	-	-
50,000	50,694	694
(231,616)	(17,644)	213,972
801,595	801,595	-
\$ 569,979	\$ 783,951	\$ 213,972

CHESTER TOWNSHIP
Statement of Revenues, Expenses and Changes In
Retained Earnings - Proprietary Fund Type
For the years ended March 31, 2004 and 2003

	Sewer Enterprise	
	2004	2003
Operating Revenues		
Charges for services	\$ 22,485	\$ 27,883
Operating Expenses		
Salaries	2,931	2,055
Office supplies and postage	356	75
Operation and maintenance	12,167	8,750
Audit fees	2,000	1,200
Depreciation	26,924	26,924
Total Operating Expenses	44,378	39,004
Operating Loss	(21,893)	(11,121)
Nonoperating Revenues (Expenses)		
Interest earnings	30,366	28,394
Connection charges	-	6,775
Interest expense	(34,523)	(35,245)
Net Nonoperating Revenues (Expenses)	(4,157)	(76)
Net Loss Before Depreciation Credit	(26,050)	(11,197)
Credit for Depreciation on Contributed Assets	26,924	26,924
Net Income	874	15,727
Retained Earnings, April 1	21,342	5,615
Retained Earnings, March 31	<u>\$ 22,216</u>	<u>\$ 21,342</u>

The notes to financial statements are an integral part of this statement.

CHESTER TOWNSHIP
Statement of Cash Flows - Proprietary Fund Type
For the years ended March 31, 2004 and 2003

	Sewer Enterprise	
	2004	2003
Cash Flows From Operating Activities		
Receipts from customers	\$ 25,883	\$ 27,157
Payments to suppliers	(22,172)	(14,956)
Payments to employees	(2,343)	(2,055)
Net Cash Provided By Operating Activities	1,368	10,146
Cash Flows From Capital and Related Financing Activities		
Collection of special assessments	20,110	32,202
Connection charges	-	6,775
Interest paid on bonds	(34,773)	(35,832)
Principal paid on bonds	(7,000)	(35,000)
Net Cash Used For Capital and Related Financing Activities	(21,663)	(31,855)
Cash Flows From Investing Activities		
Interest received	23,296	29,964
Net Increase In Cash and Cash Equivalents	3,001	8,255
Cash and Cash Equivalents, beginning of year	213,160	204,905
Cash and Cash Equivalents, end of year	\$ 216,161	\$ 213,160
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used For) By Operating Activities		
Operating loss	\$ (21,893)	\$ (11,121)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	26,924	26,924
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	1,634	224
(Increase) decrease in due from property tax roll	101	(950)
Increase (decrease) in due to other governmental units	(4,977)	(3,412)
Increase (decrease) in due to other funds	(421)	(1,519)
Total adjustments	23,261	21,267
Net Cash Provided By (Used For) Operating Activities	\$ 1,368	\$ 10,146

The notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

CHESTER TOWNSHIP
Notes to Financial Statements
March 31, 2004

Note A – Description of the Township

Chester Township was organized as a general law township under applicable laws of the State of Michigan and is governed by a Supervisor, Clerk, Treasurer and two Trustees, each of whom is elected for a four year term of office. The Township provides the following services to its residents as provided by statute: public safety (fire and inspections), highways, streets and bridges, sanitation, parks and recreation, cultural, public improvements, planning and zoning, general administrative and other services.

Note B – Summary of Significant Accounting Policies

The Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the financial statements of Chester Township contain all the funds that are controlled by, or dependent on, the Township's executive or legislative branches. Control by, or dependence on, the Township was determined on the basis of appointment of the governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, receipt of significant subsidies from the Township, disposition of surplus funds, and the ability to significantly influence operations and primary financial accountability for fiscal matters.

Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate. Township resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three broad fund categories and five generic fund types as follows:

Governmental Funds

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction, renovation or repair of major capital facilities.

Proprietary Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be

CHESTER TOWNSHIP
Notes to Financial Statements
March 31, 2004

financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include tax monies collected for the Township and other local governmental units. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund types of a Township are recorded in the General Fixed Assets Account Group at cost, or estimated historical cost, if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the General Fixed Assets Account Group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain ("infrastructure") general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

Since the Township has not maintained a record of general fixed assets, a statement of such is not included in the financial statements.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. The fixed assets of proprietary funds are valued at historical cost.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided using the straight-line method over the estimated useful lives of the related assets as follows:

Sewer facilities

50 years

Long-Term Liabilities

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

CHESTER TOWNSHIP
Notes to Financial Statements
March 31, 2004

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and fiduciary funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include real property taxes, state source sales taxes and charges for services. Most licenses and permits, local intergovernmental and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

Budgets and Budgetary Accounting

The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The Township General and Special Revenue Funds are under budgetary control as required by the Uniform Budgeting Act (P.A. 621 of 1978) of the State of Michigan.
- The budgets are generated with input from the Clerk, the Treasurer, the Supervisor and the Township Trustees.
- The completed budgets are then presented to Township electors at a public hearing in March, at which time taxpayer comments and recommendations are heard. The operating budgets include proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- Prior to April 1, the budgets are legally enacted on a departmental (activity) basis through passage of resolution.
- Appropriations are authorized by resolution at the department level. This is the legal level of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets.
- The budgets are adopted on a basis consistent with generally accepted accounting principles.
- The budgets may only be amended by action of the Township Board.

CHESTER TOWNSHIP
Notes to Financial Statements
March 31, 2004

- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The original General Fund budget was amended during the year. The budget to actual revenues and expenditures in the financial statements represent the final budget as amended by the Township.
- The "Unfavorable Variances" as shown on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund Types are not material violations as described in Public Act 621, the State of Michigan Uniform Budgeting and Accounting Act, due to the conditions and events that gave rise to the violations and the adequacy of the Township's budgetary system to detect such violations.

Retirement Plan

The Township maintains a defined contribution retirement plan covering elected officials, to which the Township contributes \$1,000 annually for the Supervisor, Clerk and Treasurer; and \$600 annually for each Trustee. Current year contributions to this plan totaled \$4,200.

Sewer Rates – Enterprise Fund

- Sewer usage charges are \$20 per month per residential equivalent, billed quarterly.
- Sewer debt services charges are \$42.66 per month per residential equivalent, billed quarterly.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Fund Equity

Reservations of fund equity/balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund equity/balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

Memorandum Only – Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

CHESTER TOWNSHIP
Notes to Financial Statements
March 31, 2004

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Township's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Note C – Cash, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- In commercial paper rated at the time of purchase within the 3 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- In United States government or federal obligation repurchase agreements.
- In bankers' acceptances of United States banks.
- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- In surplus funds investment pools.

The depositories actively used by the Township during the year were Fifth Third Bank and Mercantile Bank of West Michigan.

Balances at March 31, 2004 related to deposits are detailed on the combined balance sheet as follows:

Deposits	\$ 988,656
Restricted deposits	<u>184,750</u>
	<u><u>\$ 1,173,406</u></u>

Deposits consist of bank interest earning checking and savings accounts and certificates of deposit.

CHESTER TOWNSHIP
Notes to Financial Statements
March 31, 2004

Deposits at March 31, 2004, as shown by carrying amount and bank balance and classified by categories of credit risk, are itemized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured – FDIC	\$ 150,232	\$ 153,777
Uninsured:		
Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging bank or its trust department or agent but not in the Township's name.)	838,424	838,424
	<u>\$ 988,656</u>	<u>\$ 992,201</u>

Restricted Deposits

The Sewer Enterprise Fund collects a debt service charge from each customer and is required to maintain the accumulated balances in a separate debt service reserve account. The balance on hand at March 31, 2004 is detailed as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured – FDIC: Deposits	\$ 184,750	\$ 184,750

Note D – General Property Taxes

Property taxes for the Township, Ottawa County, Northeast Ottawa Library, Muskegon and Ottawa Intermediate School Districts and Coopersville Public and Ravenna Public Schools become due and payable on December 1 of each year. Property taxes for Grand Rapids Community College and Kent Intermediate School District become due and payable July 1 of each year. Property taxes for the State of Michigan, Sparta Area and Kent City Community Schools become due and payable July 1 and December 1 of each year, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

Property tax revenues are recognized by the Township in the General and Special Revenue Funds in the fiscal year levied, to the extent they are measurable and available.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Ottawa County, Ottawa District Library, Grand Rapids Community College, Ottawa and Muskegon Intermediate School Districts, Coopersville Public Schools, Kent City Community Schools, Ravenna Public Schools and Sparta Area Schools. The collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

The Township is permitted by statute (Act 359, Public Acts of 1947, as amended by Public Acts of 1976) to levy up to 1.1 mills of general property taxes on the taxable valuation in the Township. Due to the effect of the Headlee Amendment, actual tax levies were reduced to .9696 mills for 2003 – 04 general operations.

In addition, Township electors have authorized 1.50 mills to be levied for Fire Department operations and 5.0 mills for road improvements. Due to the effect of the Headlee Amendment, actual tax levies for 2003 – 04 Fire Department operations were reduced to 1.4875. Tax levies for road improvements were reduced in 2003 – 04 to 2.8964 mills by a vote of the Township board.

CHESTER TOWNSHIP
Notes to Financial Statements
March 31, 2004

The tax collection record of Township taxes for the past four years is shown in the following summary:

	2003	2002	2001	2000
Township taxes levied	\$ 303,708	\$ 395,734	\$ 478,074	\$ 356,914
Taxes collected:				
Current to March 1	283,213	365,808	434,173	321,500
Total to March 31, 2004	283,213	395,734	478,074	356,914
Percentages of collections:				
Current to March 1	93.25%	92.44%	90.82%	90.08%
Total to March 31, 2004	93.25%	100.00%	100.00%	100.00%

Taxable property in the Township is assessed initially by the assessing official of the Township. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon State Equalized Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the Township for prior years are compared with 2003 valuations in the following summary:

Year	Real	Personal	Total
2003	\$ 52,497,950	\$ 4,266,100	\$ 56,734,050
2002	50,365,025	3,952,485	54,317,510
2001	47,307,062	3,924,385	51,231,447
2000	44,220,529	3,619,785	47,840,314
1999	42,016,454	3,362,054	45,378,508
1998	40,008,544	3,277,134	43,285,678

Note E— Due From (To) Other Funds

Amounts due from (to) other funds representing interfund receivables and payables for 2003-04 interest earnings and payroll reimbursements at March 31, 2004 are detailed as follows:

	Due From	Due To
General Fund:		
Fire Special Revenue Fund	\$ 1,646	\$ —
Sewer Enterprise Fund	1,587	—
Trust Account Agency Fund	29	—
Tax Account Agency Fund	3,656	—
Total General Fund	6,918	—
Special Revenue Funds:		
Fire Fund:		
General Fund	—	1,646
Sewer Enterprise Fund:		
General Fund	—	1,587

CHESTER TOWNSHIP
Notes to Financial Statements
March 31, 2004

	<u>Due From</u>	<u>Due To</u>
Agency Funds:		
Trust Account Fund:		
General Fund	\$ —	\$ 29
Tax Account Fund:		
General Fund	—	3,656
	<u>—</u>	<u>3,685</u>
Total Agency Funds		
	<u>—</u>	<u>3,685</u>
Total All Funds	<u>\$ 6,918</u>	<u>\$ 6,918</u>

Note F – Transfers From/To Other Funds

Transfers between funds during the year ended March 31, 2004 were as follows:

	<u>Transfers From</u>	<u>Transfers To</u>
General Fund:		
Fire Special Revenue Fund	\$ —	\$ 5,000
Road Improvement Special Revenue Fund	—	10,000
Park Special Revenue Fund	—	15,000
Improvement Revolving Special Revenue Fund	—	20,000
	<u>—</u>	<u>50,000</u>
Total General Fund		
	<u>—</u>	<u>50,000</u>
Special Revenue Funds:		
Fire Fund:		
General Fund	5,000	—
Fire Station Construction Capital Projects Fund	694	—
	<u>5,694</u>	<u>—</u>
Road Improvement Special Revenue Fund:		
General Fund	10,000	—
Park Special Revenue Fund:		
General Fund	15,000	—
Improvement Revolving Special Revenue Fund:		
General Fund	20,000	—
	<u>50,694</u>	<u>—</u>
Total Special Revenue Funds		
	<u>50,694</u>	<u>—</u>
Fire Station Construction Capital Projects Fund:		
General Fund	—	694
	<u>—</u>	<u>694</u>
Total All Funds	<u>\$ 50,694</u>	<u>\$ 50,694</u>

The \$50,000 of transfers from the General Fund were made as a part of the 2003-04 budget process of the Township. The \$694 transfer to the Fire Fund was made to close out the balance remaining in the Fire Station Construction Capital Projects Fund.

CHESTER TOWNSHIP
Notes to Financial Statements
March 31, 2004

Note G – Receivables

Amounts shown as accounts receivable of the Sewer Enterprise Fund consists of current and delinquent sewer usage charges.

Amounts due from the general property tax roll represent sewer bills that are delinquent six months as of September 1 each year and are certified to the general property tax roll as of that date together with interest at 6% per annum. These amounts are then included with the general property taxes which become due and payable December 1 each year and become a lien on the property as of the date.

Note H – Summary of Proprietary Fund Fixed Assets

Fixed assets of the Proprietary Fund are detailed as follows:

	<u>Sewer Enterprise</u>
Sewer facilities	\$ 1,380,850
Less accumulated depreciation	<u>148,082</u>
Net fixed assets	<u><u>\$ 1,232,768</u></u>

Note I – Due To Other Governmental Units

Payables of the Sewer Enterprise Fund represent operating expenses incurred during the 2003 – 04 fiscal year but paid subsequent to the close of the Township's fiscal year.

Note J – Changes In Long-Term Debt

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2004:

	Balances April 1, 2003	Debt Added	Debt Retired	Balances March 31, 2004
Enterprise Fund Debt				
Sewage Disposal Bonds:				
June 1, 1996	\$ 682,000	\$ —	\$ 7,000	<u><u>\$ 675,000</u></u>

CHESTER TOWNSHIP
Notes to Financial Statements
March 31, 2004

The following is a summary of long-term debt outstanding of the Township at March 31, 2004:

	Total Due	Amount Due Within One Year
\$733,000 Ottawa County/Chester Township sewage disposal bonds due in annual installments of \$7,000 to \$35,000 through June 1, 2036, interest of 5.1250%	\$ 675,000	\$ 7,000

The annual requirements to amortize the bonds outstanding as of March 31, 2004 are detailed below:

Year Ended March 31	Principal	Interest	Total
2005	\$ 7,000	\$ 34,415	\$ 41,415
2006	7,000	34,056	41,056
2007	7,000	33,697	40,697
2008	7,000	33,338	40,338
2009	7,000	32,979	39,979
2010	8,000	32,595	40,595
2011	11,000	32,108	43,108
2012	11,000	31,544	42,544
2013	13,000	30,929	43,929
2014	15,000	30,212	45,212
2015 – 36	582,000	372,848	954,848
	\$ 675,000	\$ 698,721	\$ 1,373,721

Note K – Segment Information for Enterprise Fund

The Township maintains one Enterprise Fund which provides sewer services. Segment information for the year ended March 31, 2004 is presented as follows:

Operating revenues	\$ 22,485
Depreciation	26,924
Operating income (loss)	(21,893)
Nonoperating revenues (expenses)	(4,157)
Net income	874
Contributed capital additions	—
Fixed asset additions	—
Net working capital	28,818
Total equity:	
Contributed capital	1,026,168
Retained earnings	22,216

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

CHESTER TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2004 and 2003

Assets	<u>2004</u>	<u>2003</u>
Deposits	\$ 174,463	\$ 85,696
Taxes receivable	5,428	6,029
Due from other funds	6,918	81,900
Due from other governmental units	23,964	29,679
Prepaid expenditures	-	6,903
Total Assets	<u><u>\$ 210,773</u></u>	<u><u>\$ 210,207</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 3,768	\$ 5,110
Payroll withholdings payable	<u>1,894</u>	<u>2,881</u>
Total Liabilities	<u>5,662</u>	<u>7,991</u>
Fund Balances		
Unreserved:		
Undesignated	<u>205,111</u>	<u>202,216</u>
Total Liabilities and Fund Balances	<u><u>\$ 210,773</u></u>	<u><u>\$ 210,207</u></u>

CHESTER TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2004
With comparative actual amounts for the year ended March 31, 2003

	2004		Variance- Favorable (Unfavorable)	2003
	Budget	Actual		Actual
Revenues				
Taxes:				
Current property taxes	\$ 53,000	\$ 54,901	\$ 1,901	\$ 53,011
Street lighting assessments	3,200	2,727	(473)	2,698
Weed control assessments	3,411	6,850	3,439	4,509
Delinquent property taxes	-	20	20	171
Trailer fees	400	306	(94)	306
Penalties and interest on taxes	4,000	2,125	(1,875)	1,240
Property tax administration fees	15,000	14,509	(491)	17,653
	79,011	81,438	2,427	79,588
Licenses and permits:				
Building, electrical, and plumbing permits	25,000	24,881	(119)	19,079
State sources:				
Sales taxes	190,000	197,532	7,532	211,854
Charges for services:				
Board of appeals fees	1,500	1,000	(500)	2,300
Summer tax collection fees	3,000	2,917	(83)	1,082
Sale of cemetery lots	100	1,975	1,875	600
	4,600	5,892	1,292	3,982
Interest and rentals:				
Interest on deposits and investments	1,000	6,207	5,207	3,297
Rentals	2,500	1,650	(850)	2,700
	3,500	7,857	4,357	5,997
Other revenue:				
Reimbursements - septic tanks	3,800	2,160	(1,640)	4,253
Rembursements - sewer expenses	6,500	2,931	(3,569)	2,053
Refunds of expenditures	-	-	-	741
Miscellaneous	500	-	(500)	534
	10,800	5,091	(5,709)	7,581
Total Revenues	312,911	322,691	9,780	328,081
Expenditures				
Current:				
Legislative:				
Township board	4,898	4,439	459	4,447
General government:				
Supervisor	14,626	14,076	550	14,141
Elections	-	-	-	2,560
Assessor	19,005	16,966	2,039	15,493
Legal and audit	31,750	25,736	6,014	28,344

(Continued)

CHESTER TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2004
With comparative actual amounts for the year ended March 31, 2003

	2004			2003
	Budget	Actual	Variance- Favorable (Unfavorable)	Actual
General government: (Continued)				
Clerk	\$ 17,340	\$ 17,217	\$ 123	\$ 16,700
Board of review	900	973	(73)	561
General administration	40,850	35,834	5,016	33,756
Treasurer	18,780	17,653	1,127	17,260
Buildings and grounds	29,075	30,872	(1,797)	10,607
Cemetery	3,650	4,178	(528)	6,908
Total general government	175,976	163,505	12,471	146,330
Public safety:				
Law enforcement	10,600	9,002	1,598	6,870
Inspections	15,700	11,919	3,781	11,667
Planning	10,200	6,954	3,246	11,577
Zoning	12,000	10,590	1,410	14,163
Total public safety	48,500	38,465	10,035	44,277
Public works:				
Drains	25	24	1	2,330
Sidewalk	1,600	1,600	-	-
Street lighting	5,900	4,696	1,204	3,029
Weed control	8,968	8,968	-	11,369
Sewer	3,860	2,493	1,367	2,431
Total public works	20,353	17,781	2,572	19,159
Other township	33,200	28,604	4,596	28,071
Capital outlay	6,000	17,002	(11,002)	18,507
Total Expenditures	288,927	269,796	19,131	260,791
Excess of Revenues Over Expenditures	23,984	52,895	28,911	67,290
Other Financing Sources (Uses)				
Operating transfers out	(50,000)	(50,000)		(35,500)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(26,016)	2,895	28,911	31,790
Fund Balances, April 1	202,216	202,216	-	170,426
Fund Balances, March 31	\$ 176,200	\$ 205,111	\$ 28,911	\$ 202,216

CHESTER TOWNSHIP
General Fund
Comparative Statement of Expenditures
For the years ended March 31, 2004 and 2003

	2004	2003
Current:		
Legislative:		
Township board:		
Salaries	\$ 4,348	\$ 4,348
Seminars	91	99
Total legislative	4,439	4,447
General government:		
Supervisor:		
Salary	14,076	14,076
Seminars	-	65
Elections:	14,076	14,141
Salaries	-	1,130
Printing and publishing	-	847
Miscellaneous	-	583
Assessor:	-	2,560
Assessor salary	8,820	8,400
Deputy assessor salary	5,510	5,250
Miscellaneous	2,636	273
Capital outlay	-	1,170
Computer software	-	400
Legal and audit:	16,966	15,493
Legal fees	15,986	23,544
Audit fees	9,750	4,800
Clerk:	25,736	28,344
Salaries:		
Clerk	14,490	14,490
Deputy	2,101	2,011
Seminars	626	174
Miscellaneous	-	25
Board of review:	17,217	16,700
Salaries	973	561
General administration:		
Administrative salaries	12,262	11,175
Office supplies	2,851	4,481
Postage	790	1,360
Contracted services	325	343
Computer access charge	4,498	4,503
Telephone	3,122	3,334
Travel and expenses	1,040	947
Printing and publishing	695	1,405
Newsletter	972	1,477

(Continued)

CHESTER TOWNSHIP
General Fund
Comparative Statement of Expenditures
For the years ended March 31, 2004 and 2003

	2004	2003
General administration: (Continued)		
Equipment maintenance	\$ 4,556	\$ 1,464
Dues and memberships	1,449	1,287
Miscellaneous	3,274	1,980
	<u>35,834</u>	<u>33,756</u>
Treasurer:		
Salaries:		
Treasurer	13,455	13,455
Deputy	1,692	2,604
Property tax administration system	2,362	1,046
Seminars	144	155
	<u>17,653</u>	<u>17,260</u>
Buildings and grounds:		
Custodial and maintenance salaries	2,940	3,142
Supplies	496	319
Contracted services	4,097	1,922
Heating	1,658	621
Electric	2,214	2,103
Repair and maintenance	18,672	1,656
Miscellaneous	795	812
Capital outlay	-	32
	<u>30,872</u>	<u>10,607</u>
Cemetery:		
Sexton salary	3,678	2,530
Grounds maintenance	500	4,378
	<u>4,178</u>	<u>6,908</u>
Total general government	<u>163,505</u>	<u>146,330</u>
Public safety:		
Law enforcement	- 9,002	6,870
Inspections:		
Salaries:		
Building inspector	6,600	7,060
Electrical inspector	2,040	1,530
Plumbing inspector	1,590	2,100
Travel and expenses	1,256	977
Miscellaneous	433	-
	<u>11,919</u>	<u>11,667</u>
Planning:		
Planning commission salaries	2,960	4,200
Master plan development	3,858	7,310
Education	136	67
	<u>6,954</u>	<u>11,577</u>
Zoning:		
Salaries:		
Zoning administrator	10,000	13,653
Zoning board of appeals	590	510
	<u>10,590</u>	<u>14,163</u>
Total public safety	<u>38,465</u>	<u>44,277</u>

(Continued)

CHESTER TOWNSHIP
General Fund
Comparative Statement of Expenditures
For the years ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Public works:		
Drains:		
Drain maintenance	\$ 24	\$ 2,330
Sidewalk:		
Sidewalk maintenance	1,600	-
Street lighting:		
Utilities	4,696	3,029
Weed control:		
Contracted services	8,968	11,369
Sewer:		
Salaries:		
Sewer administrator	1,320	1,255
Sewer billing	1,023	1,176
Supplies	150	-
	<u>2,493</u>	<u>2,431</u>
Total public works	<u>17,781</u>	<u>19,159</u>
Other township:		
Social Security taxes	8,149	8,395
Retirement	4,200	4,200
Insurance and bonds	7,655	6,876
Council on aging	5,000	5,000
Northwest Ambulance	3,000	3,000
Intergovernmental contributions	600	600
Total other township	<u>28,604</u>	<u>28,071</u>
Capital outlay:		
Land improvements	-	11,836
Office equipment and furniture	17,002	6,671
Total capital outlay	<u>17,002</u>	<u>18,507</u>
Total Expenditures	<u>\$ 269,796</u>	<u>\$ 260,791</u>

SPECIAL REVENUE FUNDS

Fire Fund—to account for property taxes levied for fire prevention purposes.

Road Fund—to account for property taxes levied for road maintenance and construction purposes.

Park Fund—to account for contributions and General Fund transfers to be used for park maintenance and equipment.

Budget Stabilization Fund—to account for General Fund contributions and interest earnings to be used for future budgeted expenditures.

Improvement Revolving—to account for General Fund contributions to be used for future capital improvement projects.

CHESTER TOWNSHIP
Special Revenue Funds
Combining Balance Sheet
March 31, 2004
With comparative totals for March 31, 2003

Assets	<u>Fire</u>	<u>Road</u>	<u>Park</u>	<u>Budget Stabilization</u>
Deposits	\$ 178,777	\$ 352,478	\$ 1,847	\$ 24,149
Taxes receivable	5,537	10,782	-	-
Due from other funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Total Assets	<u><u>\$ 184,314</u></u>	<u><u>\$ 363,260</u></u>	<u><u>\$ 1,847</u></u>	<u><u>\$ 24,149</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	1,646	-	-	-
Total Liabilities	<u>1,646</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Undesignated	<u>182,668</u>	<u>363,260</u>	<u>1,847</u>	<u>24,149</u>
Total Liabilities and Fund Balances	<u><u>\$ 184,314</u></u>	<u><u>\$ 363,260</u></u>	<u><u>\$ 1,847</u></u>	<u><u>\$ 24,149</u></u>

Improvement Revolving	Totals	
	2004	2003
\$ 212,027	\$ 769,278	\$ 460,100
-	16,319	25,296
-	-	317,321
-	-	9,949
<u>\$ 212,027</u>	<u>\$ 785,597</u>	<u>\$ 812,666</u>
\$ -	\$ -	\$ 5,354
-	1,646	5,717
-	1,646	11,071
<u>212,027</u>	<u>783,951</u>	<u>801,595</u>
<u>\$ 212,027</u>	<u>\$ 785,597</u>	<u>\$ 812,666</u>

CHESTER TOWNSHIP
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended March 31, 2004
With comparative totals for the year ended March 31, 2003

	Fire	Road	Park	Budget Stabilization
Revenues				
Taxes	\$ 84,258	\$ 164,113	\$ -	\$ -
State sources	-	855	-	-
Interest and rentals	828	1,889	7	115
Other revenue	105,890	-	-	-
Total Revenues	<u>190,976</u>	<u>166,857</u>	<u>7</u>	<u>115</u>
Expenditures				
Current:				
Public safety	172,448	-	-	-
Public works	-	241,781	-	-
Recreation and cultural	-	-	13,597	-
Total Expenditures	<u>172,448</u>	<u>241,781</u>	<u>13,597</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>18,528</u>	<u>(74,924)</u>	<u>(13,590)</u>	<u>115</u>
Other Financing Sources				
Operating transfers in	<u>5,694</u>	<u>10,000</u>	<u>15,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	<u>24,222</u>	<u>(64,924)</u>	<u>1,410</u>	<u>115</u>
Fund Balances, April 1	<u>158,446</u>	<u>428,184</u>	<u>437</u>	<u>24,034</u>
Fund Balances, March 31	<u>\$ 182,668</u>	<u>\$ 363,260</u>	<u>\$ 1,847</u>	<u>\$ 24,149</u>

Improvement Revolving	Totals	
	2004	2003
\$ -	\$ 248,371	\$ 343,459
-	855	97,922
1,533	4,372	7,992
-	105,890	9,470
1,533	359,488	458,843
-	172,448	216,210
-	241,781	7,879
-	13,597	15,023
-	427,826	239,112
1,533	(68,338)	219,731
20,000	50,694	35,500
21,533	(17,644)	255,231
190,494	801,595	546,364
<u>\$ 212,027</u>	<u>\$ 783,951</u>	<u>\$ 801,595</u>

CHESTER TOWNSHIP
Fire Special Revenue Fund
Comparative Balance Sheet
March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Deposits	\$ 178,777	\$ 79,711
Taxes receivable	5,537	5,821
Due from other funds	-	72,970
Prepaid expenditures	-	9,949
Total Assets	<u><u>\$ 184,314</u></u>	<u><u>\$ 168,451</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 5,354
Due to other funds	1,646	4,651
Total Liabilities	<u>1,646</u>	<u>10,005</u>
Fund Balances		
Unreserved:		
Undesignated	<u>182,668</u>	<u>158,446</u>
Total Liabilities and Fund Balances	<u><u>\$ 184,314</u></u>	<u><u>\$ 168,451</u></u>

CHESTER TOWNSHIP
Fire Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2004
With comparative actual amounts for the year ended March 31, 2003

	2004			2003
	Budget	Actual	Variance - Favorable (Unfavorable)	Actual
Revenues				
Taxes	\$ 78,000	\$ 84,258	\$ 6,258	\$ 79,301
Interest and rentals	500	828	328	2,677
Other revenue	-	105,890	105,890	9,470
Total Revenues	<u>78,500</u>	<u>190,976</u>	<u>112,476</u>	<u>91,448</u>
Expenditures				
Current:				
Public safety	<u>91,995</u>	<u>172,448</u>	<u>(80,453)</u>	<u>216,210</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(13,495)</u>	<u>18,528</u>	<u>32,023</u>	<u>(124,762)</u>
Other Financing Sources				
Operating transfers in	<u>5,000</u>	<u>5,694</u>	<u>694</u>	<u>10,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	<u>(8,495)</u>	<u>24,222</u>	<u>32,717</u>	<u>(114,762)</u>
Fund Balances, April 1	<u>158,446</u>	<u>158,446</u>	<u>-</u>	<u>273,208</u>
Fund Balances, March 31	<u><u>\$ 149,951</u></u>	<u><u>\$ 182,668</u></u>	<u><u>\$ 32,717</u></u>	<u><u>\$ 158,446</u></u>

CHESTER TOWNSHIP
Fire Special Revenue Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2004 and 2003

	2004	2003
Revenues		
Taxes:		
Current property taxes	\$ 84,228	\$ 78,705
Delinquent property taxes	30	596
Total taxes	84,258	79,301
Interest and rentals:		
Interest on deposits	828	2,677
Other revenue:		
Miscellaneous	19	4,906
Sale of assets	-	2,500
Insurance reimbursements	104,076	-
Refunds of expenditures	1,795	2,064
Total other revenue	105,890	9,470
Total Revenues	190,976	91,448
Expenditures		
Current:		
Public safety:		
Fire department:		
Salaries:		
Fire chief	3,900	5,200
Deputy fire chief	1,950	2,600
Fire officers	4,215	5,620
Firefighters	13,274	13,167
Employee benefits:		
Social Security	2,075	1,325
Life/disability insurance	2,766	3,017
Workers' compensation insurance	999	1,323
Supplies	818	1,034
Gas and oil	675	1,015
Rescue supplies	527	268
Uniforms	47	2,185
Telephone	569	411
Education	270	485
Insurance and bonds	7,183	7,181
Heating	4,136	3,610
Electric	2,019	1,936
Sewer	300	300
Building maintenance	3,112	1,518
Equipment maintenance	820	873
Vehicle maintenance	2,182	5,184
Dues and memberships	750	794
Miscellaneous	719	1,046
Buildings and improvements	58,114	-
New equipment	61,028	13,535
New vehicles	-	142,583
Total Expenditures	172,448	216,210

CHESTER TOWNSHIP
Fire Special Revenue Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2004 and 2003

(Continued)	<u>2004</u>	<u>2003</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>18,528</u>	<u>(124,762)</u>
Other Financing Sources		
Operating transfers in	<u>5,694</u>	<u>10,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	<u>24,222</u>	<u>(114,762)</u>
Fund Balances, April 1	<u>158,446</u>	<u>273,208</u>
Fund Balances, March 31	<u><u>\$ 182,668</u></u>	<u><u>\$ 158,446</u></u>

CHESTER TOWNSHIP
Road Special Revenue Fund
Comparative Balance Sheet
March 31, 2004 and 2003

Assets	<u>2004</u>	<u>2003</u>
Deposits	\$ 352,478	\$ 164,358
Taxes receivable	10,782	19,475
Due from other funds	-	244,351
Total Assets	<u><u>\$ 363,260</u></u>	<u><u>\$ 428,184</u></u>
 Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund balances		
Unreserved:		
Undesignated	<u>363,260</u>	<u>428,184</u>
Total Liabilities and Fund Balances	<u><u>\$ 363,260</u></u>	<u><u>\$ 428,184</u></u>

CHESTER TOWNSHIP
Road Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2004
With comparative actual amounts for the year ended March 31, 2003

	2004		Variance -	2003
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues				
Taxes	\$ 150,000	\$ 164,113	\$ 14,113	\$ 264,158
Interest and rentals	1,500	1,889	389	2,308
Metro Act payment	854	855	1	-
Total Revenues	<u>152,354</u>	<u>166,857</u>	<u>14,503</u>	<u>266,466</u>
Expenditures				
Current:				
Public works:				
Highways, streets and bridges	<u>408,200</u>	<u>241,781</u>	<u>166,419</u>	<u>7,879</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(255,846)</u>	<u>(74,924)</u>	<u>180,922</u>	<u>258,587</u>
Other Financing Sources				
Operating transfers in	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	<u>(245,846)</u>	<u>(64,924)</u>	<u>180,922</u>	<u>258,587</u>
Fund Balances, April 1	<u>428,184</u>	<u>428,184</u>	<u>-</u>	<u>169,597</u>
Fund Balances, March 31	<u><u>\$ 182,338</u></u>	<u><u>\$ 363,260</u></u>	<u><u>\$ 180,922</u></u>	<u><u>\$ 428,184</u></u>

CHESTER TOWNSHIP
Road Special Revenue Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2004 and 2003

	2004	2003
Revenues		
Taxes:		
Current property taxes	\$ 164,012	\$ 263,309
Delinquent property taxes	101	849
Interest and rentals:		
Interest on investments	1,889	2,308
State sources:		
Metro Act payment	855	-
Total Revenues	<u>166,857</u>	<u>266,466</u>
Expenditures		
Current:		
Public works:		
Highways, streets and bridges:		
Road improvements	240,504	5,794
Dust layer	1,277	2,085
Total Expenditures	<u>241,781</u>	<u>7,879</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(74,924)</u>	<u>258,587</u>
Other Financing Sources		
Operating transfers in	10,000	-
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	(64,924)	258,587
Fund Balances, April 1	<u>428,184</u>	<u>169,597</u>
Fund Balances, March 31	<u><u>\$ 363,260</u></u>	<u><u>\$ 428,184</u></u>

CHESTER TOWNSHIP
Park Special Revenue Fund
Comparative Balance Sheet
March 31, 2004 and 2003

Assets	<u>2004</u>	<u>2003</u>
Deposits	<u>\$ 1,847</u>	<u>\$ 1,503</u>
Liabilities and Fund Balances		
Liabilities		
Due to other funds	<u>\$ -</u>	<u>\$ 1,066</u>
Fund Balances		
Unreserved:		
Undesignated	<u>1,847</u>	<u>437</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,847</u></u>	<u><u>\$ 1,503</u></u>

CHESTER TOWNSHIP
Park Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2004
With comparative actual amounts for the year ended March 31, 2003

	2004			2003
	Budget	Actual	Variance - Favorable (Unfavorable)	Actual
Revenues				
State sources	\$ -	\$ -	\$ -	\$ 97,922
Interest and rentals	-	7	7	485
Total Revenues	-	7	7	98,407
Expenditures				
Current:				
Recreation and cultural:				
Parks and recreation	14,625	13,597	1,028	15,023
Excess (Deficiency) of Revenues Over Expenditures	(14,625)	(13,590)	1,035	83,384
Other Financing Sources				
Operating transfers in	15,000	15,000	-	15,500
Excess of Revenues Over Expenditures and Other Financing Sources	375	1,410	1,035	98,884
Fund Balances, April 1	437	437	-	(98,447)
Fund Balances, March 31	\$ 812	\$ 1,847	\$ 1,035	\$ 437

CHESTER TOWNSHIP
Park Special Revenue Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
State sources:		
D.N.R grant	\$ -	\$ 97,922
Interest and rentals:		
Interest on deposits and investments	<u>7</u>	<u>485</u>
Total Revenues	<u>7</u>	<u>98,407</u>
Expenditures		
Current:		
Recreation and cultural:		
Parks and recreation:		
Maintenance salaries	7,204	6,641
Social Security	574	454
Utilities	270	292
Grounds maintenance	1,424	1,167
Miscellaneous	52	1,608
Land improvements	<u>4,073</u>	<u>4,861</u>
Total Expenditures	<u>13,597</u>	<u>15,023</u>
Excess (Deficiency) of Revenues		
Over Expenditures	<u>(13,590)</u>	<u>83,384</u>
Other Financing Sources		
Operating transfers in	<u>15,000</u>	<u>15,500</u>
Excess of Revenues Over		
Expenditures and Other		
Financing Sources	1,410	98,884
Fund Balances, April 1	<u>437</u>	<u>(98,447)</u>
Fund Balances, March 31	<u><u>\$ 1,847</u></u>	<u><u>\$ 437</u></u>

CHESTER TOWNSHIP
Budget Stabilization Special Revenue Fund
Comparative Balance Sheet
March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Deposits	<u>\$ 24,149</u>	<u>\$ 24,034</u>
Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Unreserved:		
Undesignated	<u>24,149</u>	<u>24,034</u>
Total Liabilities and Fund Balances	<u>\$ 24,149</u>	<u>\$ 24,034</u>

CHESTER TOWNSHIP
Budget Stabilization Special Revenue Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Interest and rentals:		
Interest on deposits	<u>\$ 115</u>	<u>\$ 305</u>
Expenditures		
	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	115	305
Fund Balances, April 1	<u>24,034</u>	<u>23,729</u>
Fund Balances, March 31	<u><u>\$ 24,149</u></u>	<u><u>\$ 24,034</u></u>

CHESTER TOWNSHIP
Improvement Revolving Special Revenue Fund
Comparative Balance Sheet
March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Deposits	<u>\$ 212,027</u>	<u>\$ 190,494</u>
Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Unreserved:		
Undesignated	<u>212,027</u>	<u>190,494</u>
Total Liabilities and Fund Balances	<u>\$ 212,027</u>	<u>\$ 190,494</u>

CHESTER TOWNSHIP
Improvement Revolving Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2004
With comparative actual amounts for the year ended March 31, 2003

	2004			2003
	Budget	Actual	Variance - Favorable (Unfavorable)	Actual
Revenues				
Interest and rentals:				
Interest on deposits	\$ 2,000	\$ 1,533	\$ (467)	\$ 2,217
Expenditures	-	-	-	-
Excess of Revenues Over Expenditures	2,000	1,533	(467)	2,217
Other Financing Sources				
Operating transfers in	20,000	20,000	-	10,000
Excess of Revenues Over Expenditures and Other Financing Sources	22,000	21,533	(467)	12,217
Fund Balances, April 1	190,494	190,494	-	178,277
Fund Balances, March 31	<u>\$ 212,494</u>	<u>\$ 212,027</u>	<u>\$ (467)</u>	<u>\$ 190,494</u>

CAPITAL PROJECTS FUND

Fire Station Construction - to account for property taxes, interest earnings and the expenditures for the new fire station construction project.

CHESTER TOWNSHIP
Fire Station Construction Capital Projects Fund
Comparative Balance Sheet
March 31, 2004 and 2003

Assets	<u>2004</u>	<u>2003</u>
Deposits	<u>\$ -</u>	<u>\$ 1,582</u>
Liabilities and Fund Balances		
Liabilities		
Due to other funds	<u>\$ -</u>	<u>\$ 86</u>
Fund Balances		
Reserved for capital outlay	<u>-</u>	<u>1,496</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 1,582</u>

CHESTER TOWNSHIP
Fire Station Construction Capital Projects Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Interest and rentals:		
Interest on deposits	<u>\$ -</u>	<u>\$ 8</u>
Expenditures		
Capital outlay:		
Fire station construction	<u>802</u>	<u>1,845</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(802)</u>	<u>(1,837)</u>
Other Financing Sources (Uses)		
Operating transfers out	<u>(694)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>(1,496)</u>	<u>(1,837)</u>
Fund Balances, April 1	<u>1,496</u>	<u>3,333</u>
Fund Balances, March 31	<u><u>\$ -</u></u>	<u><u>\$ 1,496</u></u>

ENTERPRISE FUND

Sewer Enterprise - to account for the provision of sewer services to the residents of the Township. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, operations, maintenance, administration, debt service, construction and billing and collection.

CHESTER TOWNSHIP
Sewer Enterprise Fund
Comparative Balance Sheet
March 31, 2004 and 2003

Assets	2004	2003
Current Assets		
Deposits		
Receivables:	\$ 31,411	\$ 29,765
Accounts receivable	8,840	10,474
Due from property tax roll	1,741	1,842
Accrued interest	9,900	2,830
Total Current Assets	51,892	44,911
Other Assets		
Special assessments receivable	270,048	290,158
Restricted Assets		
Deposits	184,750	183,395
Property, Plant and Equipment		
Sewer system	1,380,850	1,380,850
Less accumulated depreciation	(148,082)	(121,158)
Net fixed assets	1,232,768	1,259,692
Total Assets	\$ 1,739,458	\$ 1,778,156
Liabilities and Fund Equity		
Liabilities		
Current liabilities (payable from current assets):		
Due to other funds	\$ 1,587	\$ 2,008
Due to other governmental units	3,087	8,064
Accrued interest payable	11,400	11,650
Total current liabilities (payable from current assets)	16,074	21,722
Current liabilities (payable from restricted assets):		
Current portion of bonds payable	7,000	7,000
Total Current Liabilities	23,074	28,722
Long-term liabilities (net of current portion):		
Bonds payable	668,000	675,000
Total Liabilities	691,074	703,722
Fund Equity		
Contributed capital	1,026,168	1,053,092
Retained earnings:		
Unreserved	22,216	21,342
Total Fund Equity	1,048,384	1,074,434
Total Liabilities and Fund Equity	\$ 1,739,458	\$ 1,778,156

CHESTER TOWNSHIP
Sewer Enterprise Fund
Schedule of Principal and Interest Payments
\$733,000 Ottawa County/Chester Township Sewage Disposal Bonds Dated June 1, 1996

Year Ended March 31	Interest Rate	Principal June 1	Interest		Total
			June 1	December 1	
2005	5.125%	\$ 7,000	\$ 17,297	\$ 17,118	\$ 41,415
2006		7,000	17,118	16,938	41,056
2007		7,000	16,938	16,759	40,697
2008		7,000	16,759	16,579	40,338
2009		7,000	16,579	16,400	39,979
2010		8,000	16,400	16,195	40,595
2011		11,000	16,195	15,913	43,108
2012		11,000	15,913	15,631	42,544
2013		13,000	15,631	15,298	43,929
2014		15,000	15,298	14,914	45,212
2015		16,000	14,914	14,504	45,418
2016		18,000	14,504	14,043	46,547
2017		18,000	14,043	13,581	45,624
2018		20,000	13,581	13,069	46,650
2019		20,000	13,069	12,556	45,625
2020		20,000	12,556	12,044	44,600
2021		20,000	12,044	11,531	43,575
2022		20,000	11,531	11,019	42,550
2023		25,000	11,019	10,378	46,397
2024		25,000	10,378	9,738	45,116
2025		25,000	9,738	9,097	43,835
2026		30,000	9,097	8,328	47,425
2027		30,000	8,328	7,559	45,887
2028		30,000	7,559	6,791	44,350
2029		30,000	6,791	6,022	42,813
2030		30,000	6,022	5,253	41,275
2031		30,000	5,253	4,484	39,737
2032		35,000	4,484	3,588	43,072
2033		35,000	3,588	2,691	41,279
2034		35,000	2,691	1,794	39,485
2035		35,000	1,794	897	37,691
2036		35,000	897	-	35,897
<hr/>					
		\$ 675,000	\$ 358,009	\$ 340,712	\$ 1,373,721

AGENCY FUNDS

Trust Account Agency—to account for the safekeeping of escrow deposits to the Township and the repayment to the persons entitled to receive the monies.

Tax Account Agency—to account for the collection of current and delinquent property taxes, dog licenses, delinquent special assessments and delinquent quarterly sewer charges and payment to the governmental units, funds or other persons entitled to receive these funds.

CHESTER TOWNSHIP
Agency Funds
Combining Balance Sheet
March 31, 2004
With comparative totals for March 31, 2003

Assets	Trust Account	Tax Account	Totals	
			2004	2003
Deposits	\$ 7,009	\$ 6,495	\$ 13,504	\$ 339,147
Due from other governmental units	-	-	-	57,235
Total Assets	\$ 7,009	\$ 6,495	\$ 13,504	\$ 396,382
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ 29	\$ 3,656	\$ 3,685	\$ 391,410
Due to other governmental units	-	2,839	2,839	-
Escrow deposits	6,980	-	6,980	4,972
Total Liabilities	7,009	6,495	13,504	396,382
Fund Balances	-	-	-	-
Total Liabilities and Fund Balances	\$ 7,009	\$ 6,495	\$ 13,504	\$ 396,382

CHESTER TOWNSHIP
All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the year ended March 31, 2004

	Balances April 1, 2003	Additions	Deductions	Balances March 31, 2004
Trust Account Fund				
Assets				
Cash	\$ -	\$ 3,500	\$ 3,500	\$ -
Deposits	5,001	2,008	-	7,009
Total Assets	<u>\$ 5,001</u>	<u>\$ 5,508</u>	<u>\$ 3,500</u>	<u>\$ 7,009</u>
Liabilities				
Due to other funds	\$ 29	\$ -	\$ -	\$ 29
Escrow deposits	4,972	5,508	3,500	6,980
Total Liabilities	<u>\$ 5,001</u>	<u>\$ 5,508</u>	<u>\$ 3,500</u>	<u>\$ 7,009</u>
Tax Account Fund				
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Deposits	334,146	1,686,065	2,013,716	6,495
Due from other governmental units	57,235	-	57,235	-
Total Assets	<u>\$ 391,381</u>	<u>\$ 1,686,065</u>	<u>\$ 2,070,951</u>	<u>\$ 6,495</u>
Liabilities				
Accounts payable	\$ -	\$ 9,325	\$ 9,325	\$ -
Due to other funds	391,381	352,720	740,445	3,656
Due to other governmental units	-	1,324,020	1,321,181	2,839
Total Liabilities	<u>\$ 391,381</u>	<u>\$ 1,686,065</u>	<u>\$ 2,070,951</u>	<u>\$ 6,495</u>
Totals - All Agency Funds				
Assets				
Cash	\$ -	\$ 3,500	\$ 3,500	\$ -
Deposits	339,147	1,688,073	2,013,716	13,504
Due from other governmental units	57,235	-	57,235	-
Total Assets	<u>\$ 396,382</u>	<u>\$ 1,691,573</u>	<u>\$ 2,074,451</u>	<u>\$ 13,504</u>
Liabilities				
Accounts payable	\$ -	\$ 9,325	\$ 9,325	\$ -
Due to other funds	391,410	352,720	740,445	3,685
Due to other governmental units	-	1,324,020	1,321,181	2,839
Escrow deposits	4,972	5,508	3,500	6,980
Total Liabilities	<u>\$ 396,382</u>	<u>\$ 1,691,573</u>	<u>\$ 2,074,451</u>	<u>\$ 13,504</u>

CHESTER TOWNSHIP
Tax Account Agency Fund
Statement of Cash Receipts and Disbursements
For the year ended March 31, 2004

Deposits, April 1, 2003

\$ 334,146

Cash Receipts

Current and delinquent taxes, penalties and interest
and dog licenses
Interest on deposits

\$ 1,683,917
2,148

1,686,065

Total Available Balances

2,020,211

Cash Disbursements

Current ad valorem taxes and charges:

Ottawa County:

Operating

\$ 220,130

State education tax

270,825

Northeast Ottawa Library District

31,109

Kent Intermediate School District

89,942

Muskegon Intermediate School District

53,508

Ottawa Intermediate School District

63,621

Grand Rapids Community College

42,392

Coopersville Public Schools

152,861

Kent City Community Schools

49,638

Ravenna Public Schools

132,157

Sparta Area Schools

154,339

Chester Township:

Operating

51,292

Road improvement

153,230

Fire protection

78,692

Annual charges:

Street lighting

2,196

Weed control

6,207

Delinquent sewer charges

5,767

Tax administration fee

13,435

1,571,341

Interest and penalties:

State of Michigan

705

Kent Intermediate School District

265

Grand Rapids Community College

125

Kent City Community Schools

94

Ravenna Public Schools

1

Sparta Area Schools

397

Chester Township

2,099

3,686

Delinquent personal property taxes and interest:

Ottawa County:

Operating

90

State education tax

127

Northeast Ottawa Library District

13

Kent Intermediate School District

21

Grand Rapids Community College

10

Muskegon Intermediate School District

15

Ottawa Intermediate School District

54

Coopersville Public Schools

330

CHESTER TOWNSHIP
Tax Account Agency Fund
Statement of Cash Receipts and Disbursements
For the year ended March 31, 2004

Delinquent personal property taxes and interest: (Continued)			
Ravenna Public Schools	\$	97	
Sparta Area Schools		117	
Chester Township		<u>177</u>	\$ 1,051
Delinquent revolving fund taxes:			
Chester Township:			
Operating		3,921	
Road improvement		19,475	
Fire protection		5,821	
Annual charges:			
Street lighting		488	
Weed control		164	
Delinquent sewer charges		5,506	
Tax administration fees		<u>1,456</u>	36,831
Prior year taxes:			
Chester Township:			
Operating		49,090	
Road improvement		243,834	
Fire protection		72,884	
Annual charges:			
Street lighting		2,210	
Weed control		4345	
Tax administration fees		<u>16,197</u>	388,560
Interest earned (2002-03) - General Fund			1,959
Dog licenses - Ottawa County Treasurer			963
Refunds			<u>9,325</u>
			2,013,716
Deposits, March 31, 2004			<u>\$ 6,495</u>

OTHER INFORMATION

CHESTER TOWNSHIP
Schedule of Deposits and Investments
March 31, 2004

General Fund

Fifth Third Bank:

Business Checking/Money Market Accounts \$ 130,726

Mercantile Bank of West Michigan:

Business NOW Account 43,737 \$ 174,463

Special Revenue Funds

Fire Fund:

Fifth Third Bank:

Business Checking/Money Market Accounts 178,777

Road Fund:

Fifth Third Bank:

Business Checking/Money Market Accounts 352,478

Park Fund:

Fifth Third Bank:

Business Checking/Money Market Accounts 1,847

Budget Stabilization Fund:

Fifth Third Bank:

Business Money Market Account 24,149

Improvement Revolving Fund:

Fifth Third Bank:

Business Money Market Account 212,027

Total Special Revenue Funds

769,278

Enterprise Fund

Sewer Fund:

Mercantile Bank of West Michigan:

Business NOW Account 61,161

Certificate of Deposit:

July 2, 2002, 3.65%, July 2, 2004 155,000 216,161

Agency Funds

Trust Account Fund:

Fifth Third Bank:

Business Money Market Account 7,009

Tax Account Fund:

Mercantile Bank of West Michigan:

Business NOW Account 6,495

Total Agency Funds

13,504

Total All Funds

\$ 1,173,406

CHESTER TOWNSHIP
Summary of 2003 Taxes Levied and Collected
For the year ended March 31, 2004

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Ad Valorem Taxes</u>					
Ottawa County	\$56,734,050	4.1611	\$ 236,059	\$ 15,930	\$ 220,129
Ottawa District Library	56,734,050	0.5881	33,360	2,251	31,109
State Education Tax		5.0000			
Coopersville Public Schools	16,179,597		80,897	4,003	76,894
Kent City Community Schools	4,603,249		23,016	1,297	21,719
Ravenna Area Schools	16,062,808		80,313	5,032	75,281
Sparta Area Schools	19,888,396		99,441	2,511	96,930
			<u>283,667</u>	<u>12,843</u>	<u>270,824</u>
School Districts					
Kent Intermediate School District	24,491,645	3.7903	92,829	2,886	89,943
Muskegon Intermediate School District	16,062,808	3.7580	60,362	6,854	53,508
Ottawa Intermediate School District	16,179,597	4.2305	68,446	4,825	63,621
Grand Rapids Community College	24,491,645	1.7865	43,752	1,360	42,392
Coopersville Public Schools:					
Other	16,179,597	8.1500	131,862	9,295	122,567
Operating	2,015,974	18.0000	35,759	5,466	30,293
Kent City Community Schools:					
Other	4,603,249	9.2148	42,416	2,052	40,364
Operating	533,552	18.0000	9,604	330	9,274
Ravenna Public Schools:					
Other	16,062,808	7.0000	112,438	12,768	99,670
Operating	2,497,006	18.0000	43,890	10,181	33,709
Sparta Area Schools:					
Other	19,888,396	4.6152	91,782	2,723	89,059
Operating	4,019,833	17.7084	70,440	2,134	68,306
			<u>803,580</u>	<u>60,874</u>	<u>742,706</u>
Total School Districts					
Chester Township	56,734,050				
Operating		0.9696	55,003	3,712	51,291
Road improvement		2.8964	164,319	1,088	163,231
Fire protection		1.4875	84,386	5,694	78,692
Annual charges:					
Street lighting			2,727	531	2,196
Weed control			6,422	215	6,207
Delinquent sewer charges			9,985	4,218	5,767
Tax administration fees			16,598	1,119	15,479
			<u>339,440</u>	<u>16,577</u>	<u>322,863</u>
Total Township					
Total Ad Valorem Taxes			<u>\$1,696,106</u>	<u>\$ 108,475</u>	<u>\$1,587,631</u>

Hungerford, Aldrin,
Nichols & Carter, PC
CPAs AND CONSULTANTS

June 29, 2004

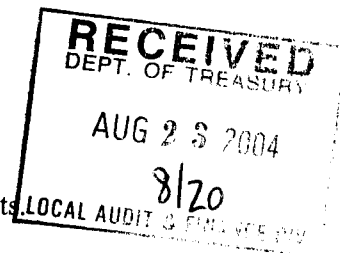
The Township Board
Chester Township
Ottawa County, Michigan

Shareholders

Clifford A. Aldrin, CPA
Jerry W. Nichols, CPA
Daniel L. Carter, CPA
Richard L. Chrisman, CPA
Peggy A. Murphy, CPA
Phillip W. Sauman, CPA
Mitchell C. Burgers, CPA
Carla A. Grant, CPA
Thomas C. Prince, CPA

The following comments pertain to our audit of the financial records of Chester Township as of and for the year ended March 31, 2004. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this Statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).



The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the Township's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Chester Township.

Auditors Responsibility Under Generally Accepted Auditing Standards

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.



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Significant Accounting Policies

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped into three broad fund-type categories as follows:

Governmental Fund Types—The General, Special Revenue, Debt Service and Capital Projects Funds are used to allocate Township resources based upon the purpose for which they are to be spent. These funds are accounted for using the modified accrual basis of accounting.

Proprietary Fund Types—The Sewer Enterprise Fund is used to allocate the resources of the Township utility system that is financed and operated in a manner similar to private business enterprises. This fund is accounted for using the accrual basis of accounting.

Fiduciary Fund Types—The Tax Account Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other groups. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fixed assets and long-term liabilities are accounted for in account groups, rather than in the governmental funds.

General Fixed Assets—Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Capital outlays in these funds are included as expenditures in the year of purchase in the purchasing fund and also added to the balance of General Fixed Assets in the Account Group. Since the Township has not maintained a record of general fixed assets, a statement of such is not included in the financial statements.

Proprietary Fixed Assets—Fixed assets used in enterprise fund type operations are capitalized in the year of purchase in the purchasing fund and depreciation expense is recorded over the estimated useful lives of the assets using the straight-line method.

General Long-Term Debt—Expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Difficulties Encountered in Performing the Audit

Final Township trial balances taken from the Quickbooks computer accounting system were out of balance by a total of \$6,097 when we attempted to balance each fund individually prior to any audit adjustments. We were able to find and correct \$4,537 of the difference through account analysis during our audit field work. The remaining \$1,646 is due from the Fire Fund to the General Fund at March 31, 2004 to cover payroll transfer differences during the 2003-04 fiscal year caused by the Quickbooks system.

Significant Audit Adjustments

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements.

General Fund

1. \$5,500 to classify reimbursements from the Sewer Enterprise Fund to the proper accounts
2. \$23,964 to record the amount due from the State of Michigan for sales tax revenue sharing payments receivable at March 31, 2004.
3. \$5,428 to record property taxes receivable at March 31, 2004.
4. \$3,768 to record accounts payable at March 31, 2004.
5. \$3,906 to classify appraisal fees and repair expenditures out of miscellaneous expense.

Fire Fund

1. \$103,126 to reclassify insurance proceeds for fire damage as revenue instead of offsetting the expenditure accounts.
2. \$5,537 to record property taxes receivable at March 31, 2004

Road Fund

1. \$10,782 to record property taxes receivable at March 31, 2004.

Sewer Enterprise Fund

1. \$68,568 to debit and credit twelve asset and liability accounts to reverse prior year balancing entries made twice.
2. \$20,110 and \$22,832 to allocate debt service collections during the year to special assessments receivable and interest earned on special assessments, respectively.
3. \$18,336 to adjust disbursements paid during the year to the proper expense accounts.
4. \$7,070 to adjust the accrued interest earned on the certificate of deposit to actual at year end.
5. \$26,924 to record annual depreciation expense on sewer system assets.
6. \$7,000 to adjust bonds payable to actual at March 31, 2004.

Passed Audit Adjustments

There were no adjustments proposed during the audit not recorded by Chester Township.

Consideration of Fraud in a Financial Statement Audit

The American Institute of Certified Public Accountants issued Statement of Auditing Standards (SAS) Number 99 "Consideration of Fraud in a Financial Statement Audit", effective for all audit periods beginning after December 15, 2002. SAS No. 99 applies to for-profit, non-profit and governmental entities. SAS No. 99 requires auditors to perform additional tests and procedures to obtain assurance that the financial statements are free of material misstatement. Specific tests and procedures required include a pre-audit "brainstorming" session for the auditors, testing of client major revenue sources and journal entries, interviews with client personnel, both in and outside of the business office, and testing of a selection of those revenue/expenditure areas that were considered susceptible to fraud during the discussions and interviews. Our normal audit testing procedures for Chester Township's major revenue sources (property taxes and state revenue sharing) and journal entries already met the requirements of SAS No. 99, so there were no additional procedures necessary this year in those major testing areas.

After our brainstorming session and discussions with Township officials we chose the volunteer fire payroll payment process for further testing. We discussed the current process with the Clerk and Treasurer and separately interviewed the Township Fire Chief to determine how the current safeguards operate to assure that only the proper firemen are being paid for the fire/emergency runs, training sessions and other duties performed for the Township. It appeared that the process in place at the Township is a complete and accurate one, including some important double-checks at critical points in the process, and that the process is operating as intended. We cannot over emphasize the importance of the review and sign-off steps of the process at the fire department level and the continuing oversight responsibility of the Township Board in the review/approval process.

SAS No. 99 suggests that the most effective deterrent to fraud in any organization is the maintenance of a culture of honesty and high ethics, evaluating the risks of fraud and implementing steps to mitigate them, and developing an appropriate oversight process. We encourage the Township Board to pro-actively pursue this policy in the future as, unfortunately, fraud is not as uncommon in the workplace as we would wish it to be.

Suggestions And Recommendations

We offered suggestions and recommendations regarding the operations of the Township accounting system to the Clerk and Treasurer as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will improve the accounting records of the Township and assist in more efficient monthly and year end financial record keeping and reporting. Other suggestions that merit discussion are as follows:

1. After reviewing the Township's current procedures for the collection, receipting, depositing, reconciling and general ledger record keeping, we recommend changes in who completes some of these procedures. Legally the Treasurer is responsible for collecting, receipting and depositing monies received into the Township and also maintaining a continuous record of, and month end reconciliations of, all bank accounts. Legally the Clerk is responsible for the general ledger record keeping for all funds of the Township and also initiates the payment of bills owed by the Township. This division of duties was enacted by the State of Michigan to insure that a proper system of checks and balances exists within each township. Currently at Chester Township the Clerk, who has control

of the depository process for all Township funds through on-line banking, is also reconciling the bank accounts at the end of the month. In our opinion, the Treasurer should be the person to direct the funds through the on-line banking system and also reconcile the bank statements at the end of the month. The Treasurer should also maintain spreadsheets for each Township bank account with a running balance of deposits, disbursements and account balances. The Clerk then verifies her bank account balances for all funds per the general ledger with the Treasurer's spreadsheets at month end. This division (and sometimes duplication) of duties and responsibilities would be more in line with the checks and balances as described in the statutes of the State of Michigan.

2. The Township (along with all other taxing municipalities in Ottawa County) is implementing a new in-house property tax billing and administration system for the 2004 summer tax roll, independent of the County system which supported all municipalities in the County for the past many years. This new process involves a significant increase in both Township responsibility for the accuracy and integrity of the data and the level of computer hardware/software knowledge over what was required of the Township previously. It is the entire Township Board's, not just the Treasurer's, responsibility to insure that this new system works properly from start to finish. We urge the Township Board to direct the necessary time and personnel resources to this new process to insure its accuracy and success.

* * * * *

This communication is intended solely for the information and use of the Township Board, officers, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Chester Township and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the Township Clerk and Treasurer in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants